

ROMULUS HOUSING COMMISSION  
ROMULUS, MICHIGAN

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2006  
AND  
REPORTS ON INTERNAL CONTROL AND  
COMPLIANCE

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Romulus Housing Commission		County Wayne	
Fiscal Year End December 31, 2006		Opinion Date August 22, 2007		Date Audit Report Submitted to State September 8, 2007			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input checked="" type="checkbox"/>		
Other (Describe)		<input checked="" type="checkbox"/>	Report on Internal Controls and Compliance	
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC			Telephone Number (231) 946-8930	
Street Address 731 S. Garfield Avenue			City Traverse City	State MI
			Zip 49686	
Authorizing CPA Signature 		Printed Name Barry E. Gaudette, CPA		License Number 11050

ROMULUS HOUSING COMMISSION  
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***Independent Auditor's Report***

Board of Commissioners  
Romulus Housing Commission  
Romulus, Michigan

I have audited the accompanying basic financial statements of the business-type activities and the aggregate remaining fund information of the Romulus Housing Commission, Michigan, a component unit of the City of Romulus, as of and for the year ended December 31, 2006, which collectively comprise the Housing Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate remaining fund information of the Romulus Housing Commission, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Romulus Housing Commission  
Independent Auditor's Report  
Page Two

In accordance with *Government Auditing Standards*, I have also issued my report dated August 22, 2007, on my consideration of Romulus Housing Commission, Michigan's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis comparison information on pages 3 through 9, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise Romulus Housing Commission, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects, in all material respects, in relation to the basic financial statements taken as a whole.

*Bary E. Janduth, CPA, PC*

August 22, 2007

ROMULUS HOUSING COMMISSION  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
December 31, 2006  
(Unaudited)

As management of the Romulus Housing Commission we offer reviewers of this audit report this narrative discussion and analysis of the Romulus Housing Commission's financial activities for the fiscal year ended December 31, 2006. This discussion and analysis letter of the Romulus Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the following Financial Statements.

The combined financial statements reflect all of the Commission's federally funded programs and activities in one place. The Commission reports all its activities and programs using the Enterprise Fund type model. HUD encourages PHAs to use this accounting method as it is normally used to account for "business-type activities" - activities similar to those found in the private sector. Enterprise Fund types use the accrual method of accounting, the same accounting method employed by most private-sector businesses. Under this method, revenues and expenditures may be reported as such even though no cash transactions has actually taken place.

**Financial Highlights**

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of December 31, 2006 were \$2,077,164. The net assets decreased by \$152,266, a decrease of 6.8% from the prior year.

Revenues and contributions for the Commission were \$486,824 for the year ended December 31, 2006. This was a decrease of \$157,301 or 24.4% from the prior year.

Expenses for the Commission were \$639,090 for the year ended December 31, 2006. This was a increase of \$33,041 or 5.5% from the prior year.

HUD operating grant subsidies were \$280,023 for the year ended December 31, 2006. This was a decrease of \$13,867 or 4.7% from the prior year. Capital contributions for the Commission were \$44,733 for the year ended December 31, 2006. This was an decrease of \$130,773 or 74.5% from the prior year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report contains this *Management & Discussion Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund financial statements because the Commission only has proprietary funds.

### Required Financial Statements

The *Statement of Net Assets* includes the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the liquidity and financial flexibility of the Commission.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Assets*. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

### Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established Uniform Financial Reporting Standards that require Housing Commissions to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) and is required to be included in the audit reporting package.

## **FUND STATEMENTS**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Enterprise fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

### **Romulus Housing Commission Programs:**

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income. The Housing Commission has 100 low rent units.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 20% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

## **FINANCIAL ANALYSIS**

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the following table, assets exceeded liabilities by \$2,077,164 at the close of the year ended December 31, 2006 down from \$2,229,430 in 2005. The decrease in net assets of \$152,266 was due to the change in net assets for the year.

The unrestricted net assets were \$222,992 as of December 31, 2006. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.



**FINANCIAL ANALYSIS (CONTINUED)**

**CONDENSED STATEMENTS OF NET ASSETS  
DECEMBER 31,**

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
Current and other assets	\$ 342,686	\$ 370,393	\$ ( 27,707)
Capital assets	<u>1,854,172</u>	<u>1,975,728</u>	<u>( 121,556)</u>
Total assets	<u>\$2,196,858</u>	<u>\$2,346,121</u>	<u>\$ ( 149,263)</u>
Current liabilities	\$ 65,602	\$ 67,417	\$ ( 1,815)
Noncurrent liabilities	<u>54,092</u>	<u>49,274</u>	<u>4,818</u>
Total liabilities	<u>119,694</u>	<u>116,691</u>	<u>3,003</u>
Net assets:			
Invested in capital assets	1,854,172	1,975,728	( 121,556)
Unrestricted net assets	<u>222,992</u>	<u>253,702</u>	<u>( 30,710)</u>
Total net assets	<u>2,077,164</u>	<u>2,229,430</u>	<u>( 152,266)</u>
Total liabilities and net assets	<u>\$2,196,858</u>	<u>\$2,346,121</u>	<u>\$ ( 149,263)</u>

Current and other assets decreased, in part, due to cash decreasing by \$41,289 from the prior year and \$17,013 due from HUD as of December 31, 2006.

Current liabilities decreased slightly, in part, was caused by tenant rents paid before December 31, 2006, but were for the next month, decreased by \$4,909 from the prior year.

Noncurrent liabilities increased by \$4,818, because of an increase of \$4,818 in long-term compensated absences from the prior year.

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending. The decrease of \$121,556 in capital assets, is due to the depreciation expense of \$166,290, netted against capital outlays of \$44,734.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the following table total revenues and contributions decreased by \$157,301, in part, due to the decrease tenant rents of \$17,264, and a decrease in federal funding of \$144,640 from the prior year. Also, interest from the cash sweep account was \$7,426 higher than the prior year due to an increase in the interest rate.

**FINANCIAL ANALYSIS (CONTINUED)****CONDENSED STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET ASSETS  
DECEMBER 31,**

	<u>2006</u>	<u>2005</u>	<u>Net Change</u>
<b>Revenues and Contributions</b>			
Dwelling rent	\$ 141,925	\$ 159,189	\$ ( 17,264)
Nondwelling rent	4,871	7,462	( 2,591)
Interest income	15,272	7,846	7,426
Other income		232	( 232)
HUD operating grants	280,023	293,890	( 13,867)
Capital contributions	<u>44,733</u>	<u>175,506</u>	<u>( 130,773)</u>
Total Revenues and Contributions	<u>486,824</u>	<u>644,125</u>	<u>( 157,301)</u>
<b>Expenses</b>			
Personal services	174,845	170,549	4,296
Tenant services	480	687	( 207)
Utilities	56,943	57,798	( 855)
Operations and maintenance	173,876	131,702	42,174
Insurance	23,076	25,620	( 2,544)
Payment in lieu of taxes	7,916	9,454	( 1,538)
Other supplies and expenses	35,664	51,652	( 15,988)
Depreciation	<u>166,290</u>	<u>158,587</u>	<u>7,703</u>
Total Expenses	<u>639,090</u>	<u>606,049</u>	<u>33,041</u>
<b>Change in Net Assets</b>	<u><u>\$ ( 152,266)</u></u>	<u><u>\$ 38,076</u></u>	<u><u>\$ ( 190,342)</u></u>

Total expenses for the Commission increased, in part, by \$33,041 due to increases of \$35,760 in contract costs for ordinary maintenance & operations. There were increases to furnace, cabinets, cleaning, workorders, lawn maintenance, floor tile, and painting contracts. Also, other supplies and expenses, in part, decreased by \$15,988 due to insurance premiums decreasing by \$2,544, PILOT by \$1,538, a bad debt writeoff of \$6,381, and legal expenses by \$6,045, respectively.

The following represents changes in Federal Assistance received:

<u>Program Source</u>	<u>12/31/06</u>	<u>12/31/05</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Public Housing Operating Subsidy	\$280,023	\$293,890	\$ ( 13,867)	( 4.7%)
Capital Fund Program	<u>44,733</u>	<u>175,506</u>	<u>(130,773)</u>	<u>(74.5%)</u>
Total	<u><u>\$324,756</u></u>	<u><u>\$469,396</u></u>	<u><u>\$ (144,640)</u></u>	<u><u>(30.8%)</u></u>

The above chart is segregated as to the Program source of funds, not the use of funds. Capital Fund Program grants are used for both operating costs and for capital improvements. HUD has

## FINANCIAL ANALYSIS (CONTINUED)

implemented a new formula for calculating the operating subsidy, therefore, the reason for the \$13,867 decrease from the prior year. The capital fund program closed more years out in 2005 than in 2005, therefore, the decrease of \$130,640 in CFP monies.

## OPERATIONAL HIGHLIGHTS

2006 and 2007 Capital assets purchased included Replacement/Repair of concrete sidewalks and driveways, interior painting and Handicap Ramp repairs, replacement of dwelling unit appliances. Prime entry door replacements is also planned.

To place the Housing Commission in a more stable financial condition, we are seeking innovative ways & means to help balance our operating budget and to decrease the vacancy rate.

The Housing Commission will continue to strive to achieve our goals to fulfill our mission to provide quality housing for eligible people in a professional, fiscally prudent manner and to be a positive force in our community by working with others to assist families with appropriate supportive services.

There are no other currently known facts, decisions, or conditions that are expected to have a significant effect on financial position(net assets) or results of operations(revenues, expenses, and other changes in net assets).

## CAPITAL ASSETS

**Capital Assets** - The Romulus Housing Commission's investment in capital assets, as of December 31, 2006 amounts to \$1,854,172 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, and equipment.

### **CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION DECEMBER 31,**

	<u>2006</u>	<u>2005</u>	<u>Dollar Change</u>
Land	\$ 188,150	\$ 188,150	\$
Buildings	1,512,998	1,512,998	
Furniture, equip. & machinery-admin.	64,193	64,193	
Building improvements	<u>1,999,394</u>	<u>1,954,661</u>	<u>44,733</u>
	3,764,735	3,720,002	44,733
Accumulated depreciation	<u>(1,910,563)</u>	<u>(1,744,274)</u>	<u>(166,289)</u>
Total	<u>\$1,854,172</u>	<u>\$1,975,728</u>	<u>\$(121,556)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$121,556 or 6.2% in terms of net book value. The capital expenditures during the current fiscal year were from the 2004 CFP grant.

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Housing Commission is primarily dependent upon HUD for the funding of operations as well as capital needs. Therefore, the Housing Commission is affected more by the Federal Budget than by local economic conditions. The funding of programs could be significantly affected by the Federal Budget.

Although the Housing Commission remains concerned about the future levels of HUD funding due to the state of the federal budget, we feel that the federal government will continue to provide us with the funding to continue to provide safe, sanitary, and decent housing to our residents.

#### **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions or comments concerning any of the information contained in this report or request for additional information should be directed to:

Christine Anderson, Executive Director  
34200 Beverly Road  
Romulus, Michigan 48174-4444

## FINANCIAL STATEMENTS

ROMULUS HOUSING COMMISSION

**STATEMENT OF NET ASSETS**

December 31, 2006

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**ASSETS**

Current Assets:

Cash	\$ 319,042
Accounts receivable	17,813
Prepaid expenses	<u>5,831</u>

Total Current Assets	<u>342,686</u>
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Capital Assets:

Land	188,150
Buildings	1,512,998
Equipment	64,193
Building improvements	<u>1,999,394</u>
	3,764,735
Less: accumulated depreciation	<u>( 1,910,563)</u>

Net Capital Assets	<u>1,854,172</u>
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Total Assets	<u>\$ 2,196,858</u>
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See notes to financial statements

ROMULUS HOUSING COMMISSION  
STATEMENT OF NET ASSETS (CONTINUED)  
December 31, 2006  
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**LIABILITIES and NET ASSETS**

Current Liabilities:

Accounts payable	\$ 20,493
Tenant security deposit liability	17,572
Accrued expenses	8,559
Deferred revenues	9,279
Other current liabilities	<u>9,699</u>

Total Current Liabilities 65,602

Noncurrent Liabilities:

Accrued compensated absences	<u>54,092</u>
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Total Liabilities 119,694

Net Assets:

Invested in capital assets	1,854,172
Unrestricted net assets	<u>222,992</u>

Total Net Assets 2,077,164

Total Liabilities and Net Assets \$ 2,196,858

See notes to financial statements

ROMULUS HOUSING COMMISSION  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS

Year Ended December 31, 2006

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**OPERATING REVENUES:**

Dwelling rent	\$ 141,925
Nondwelling rent	<u>4,871</u>

Total operating revenues	<u>146,796</u>
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**OPERATING EXPENSES:**

Administration	169,938
Tenant services	36,977
Utilities	56,943
Ordinary maintenance and operation	173,876
General expenses	35,066
Depreciation	<u>166,290</u>

Total operating expenses	<u>639,090</u>
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Operating income(loss)	<u>( 492,294)</u>
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**NONOPERATING REVENUES:**

Investment interest income	15,272
Operating grants	280,023
Capital grants	<u>44,733</u>

Total nonoperating revenues	<u>340,028</u>
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Change in net assets	( 152,266)
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Net assets, beginning	<u>2,229,430</u>
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Net assets, ending	<u>\$ 2,077,164</u>
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See notes to financial statements



ROMULUS HOUSING COMMISSION  
**STATEMENT OF CASH FLOWS**  
Year Ended December 31, 2006

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from dwelling and nondwelling rents	\$ 143,510
Cash payments to other suppliers of goods and services	( 290,309)
Cash payments to employees for services	( 164,038)
Cash payments for in lieu of taxes	<u>( 9,454)</u>
Net cash (used) by operating activities	<u>( 320,291)</u>

**CASH FLOWS FROM NONCAPITAL  
FINANCING ACTIVITIES:**

Tenant security deposits	568
Operating grants	<u>280,023</u>
Net cash provided by noncapital financing activities	<u>280,591</u>

**CASH FLOWS FROM CAPITAL AND RELATED  
FINANCING ACTIVITIES:**

Capital grants	27,873
Payments for capital acquisitions	<u>( 44,733)</u>
Net cash (used) by capital and related financing activities	<u>( 16,860)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Receipts of interest and dividends	<u>15,272</u>
Net cash provided by investing activities	<u>15,272</u>

Net increase(decrease) in cash	( 41,288)
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Cash, beginning	<u>360,330</u>
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Cash, ending	<u><u>\$ 319,042</u></u>
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ROMULUS HOUSING COMMISSION  
STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended December 31, 2006  
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RECONCILIATION OF OPERATING INCOME(LOSS)  
TO NET CASH PROVIDED (USED) BY  
OPERATING ACTIVITIES:

Operating income(loss)	\$( 492,294)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:	
Depreciation	166,290
Allowance for doubtful accounts	( 1,504)
Changes in assets and liabilities:	
(Increase) decrease in assets:	
Accounts receivable-tenants	1,623
Prepaid expenses and other assets	( 607)
Increase (decrease) in liabilities:	
Accounts payable	8,076
Other current liabilities	( 882)
Accrued wages/payroll taxes	101
Accrued compensated absences	5,353
Accrued payments in lieu of taxes	( 1,538)
Deferred revenues	<u>( 4,909)</u>
Net cash (used) by operating activities	<u><u>\$( 320,291)</u></u>

See notes to financial statements

ROMULUS HOUSING COMMISSION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
December 31, 2006

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Romulus Housing Commission(Housing Commission) is a component unit of the City of Romulus, a Michigan home rule City. The Housing Commission is a Public Housing Agency created by the City of Romulus on February 11, 1971, consisting of a five member board appointed by the City Mayor. The Commission was established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

The Housing Commission complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the financial statements for the proprietary fund, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Housing Commission the option of electing to apply FASB pronouncements issued after November 30, 1989, except for those that conflict with or contradict a GASB pronouncement. The Housing Commission has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1(a) Financial Reporting Entity**

The Housing Commission's financial reporting entity comprises the following:

Primary Government: Romulus Housing Commission

In determining the financial reporting entity, the Housing Commission complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39, "The Financial Reporting Entity", and includes all component units, if any, of which the Housing Commission appointed a voting majority of the units' board; the Housing Commission is either able to impose its will on the unit or a financial benefit or burden relationship exists. There are no agencies, organizations or activities meeting this criteria.

## **1(b) Basis of Presentation**

Financial statements of the reporting entity's programs are organized and reported as an enterprise fund and are accounted for by providing a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Enterprise funds are used to account for business-like activities provided to its tenants. These activities are financed primarily by user charges and/or Federal funding and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Housing Commission's programs as an enterprise fund.

Following is a description of the Housing Commission's programs:

<b>Program</b>	<b>Brief Description</b>
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing commissions to modernize public housing developments.

## **1(c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

In the financial statements, the "economic resources" measurement focus is used as follows:

The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

### **Basis of Accounting**

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

## **1(d) Assets, Liabilities, and Equity**

### **Cash and Investments**

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2(b) and 3(a).

### **Interprogram Receivables and Payables**

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

### **Receivables**

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

### **Inventories**

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

### **Budgets and Budgetary Accounting**

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

### **Estimates and Assumptions**

The Housing Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and

expenses.

### **Capital Assets**

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$100 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses, and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40 years
Furniture, equipment and machinery	3 - 7 years
Building improvements	15 years

### **Compensated Absences**

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends.

The Housing Commission allows permanent employees to accumulate the following compensated absences:

- \* Vacation leave, an employee who is permanently separated shall be paid, in a lump sum at his/her current rate of pay for all used vacation leave.
- \* Sick leave, an employee may after ninety(90) days of service shall be credited sick leave on the basis of one day for each full month of employment, but there will not be any cash payments for unused sick leave.
- \* Personal leave, there is not a policy for personal leave.

The amount of accumulated benefits at December 31, 2006, was \$60,102, and is recorded as a liability in the applicable programs.

## **Equity Classifications**

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Housing Commission had no related debt.
- b. Unrestricted net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

## **1(e) Revenues, Expenditures, and Expenses**

### **Operating Revenues and Expenses**

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

### **Interfund Transfers**

For the purposes of the Statement of Revenues, Expenses, and Changes in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

## **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The Housing Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Housing Commission's compliance with significant laws and regulations and demonstration of its stewardship over Housing Commission resources follows:

### **2(a) Program Accounting Requirements**

The Housing Commission complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Housing Commission are as follows:

<b>Program</b>	<b>Required By</b>
Public and Indian Housing	U.S. Department of HUD
Capital Fund Program	U.s. Department of HUD

## **2(b) Deposits and Investments Laws and Regulations**

In accordance with state law, all uninsured deposits of the Housing Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Housing Commission must have a written collateral agreement. As reflected in Note 3(a), all deposits were fully insured or collateralized.

Investments of the Housing Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

## **2(c) Revenue Restrictions**

The Housing Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the fiscal year ended December 31, 2006, the Housing Commission complied in all material respects, with these revenue restrictions.

## **2(d) Income Taxes**

As a component unit of a Michigan City, the Housing Commission is exempt from federal and state income taxes. The Housing Commission has no unrelated business income.

## **NOTE 3: DETAIL NOTES ON TRANSACTIONS CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

### **3(a) Cash and Investments**

#### **Deposits**

The Housing Commission's policies regarding deposits of cash are discussed in Note 1(d). The table presented below is designed to disclose the level of custody credit risk assumed by the Housing Commission based upon how its deposits were insured or secured with collateral at December 31, 2006. The categories of credit risk are defined as follows:

Category 1: Insured by FDIC or collateralized with securities held by the Housing Commission(or public trust) or by its



agent in its name.

Category 2: Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Commission's name.

Category 3: Uninsured and uncollateralized; or collateralized with securities held by the pledging financial, or by its trust department or agent but not in the Housing Commission's name; or collateralized with no written or approved collateral agreement.

	<u>Total Bank Balance</u>	<u>Custody Category 1</u>	<u>Credit Category 2</u>	<u>Risk Category 3</u>	<u>Total Carrying Value</u>
Demand deposits (sweep account)	<u>\$ 329,410</u>	<u>\$329,410</u>	<u>\$</u>	<u>\$</u>	<u>\$319,042</u>

### **Investments**

The Housing Commission does not have any investments.

A reconciliation of cash as shown on the combined statement of net assets follows:

Carrying amount of deposits	<u>\$ 319,042</u>
Cash and cash equivalents:	
Enterprise activities	\$ 329,410
Enterprise activities - deposits in transit	3,005
Enterprise activities - checks written in excess of deposits	<u>( 13,373)</u>
	<u>\$ 319,042</u>

### **3(b) Accounts Receivable**

Receivables detail at December 31, 2006, is as follows:

Accounts receivable-HUD	\$ 17,013
Tenant accounts receivable	5,766
Allowance for doubtful accounts	<u>( 4,966)</u>
	<u>\$ 17,813</u>

### 3(c) Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Balance</u> <u>12/31/05</u>	<u>Additions/Retirements/</u> <u>Transfers</u>	<u>Transfers</u>	<u>Balance</u> <u>12/31/06</u>
<b>Low Rent Program</b>				
Land	\$ 188,150	\$	\$	\$ 188,150
Buildings	1,512,998			1,512,998
Furniture, equip. & machinery - administration	64,193			64,193
Building improvements	<u>1,598,866</u>	<u>284,870</u>		<u>1,883,736</u>
	3,364,207	<u>\$ 284,870</u>	<u>\$</u>	<u>3,649,077</u>
Less accumulated depreciation	<u>(1,727,580)</u>	<u>\$ ( 176,887)</u>	<u>\$</u>	<u>( 1,904,467)</u>
Total	<u>\$ 1,636,627</u>			<u>\$ 1,744,610</u>
<b>Capital Fund Program</b>				
Building improvements	\$ 355,794	<u>\$ 28,996</u>	<u>\$ ( 269,132)</u>	\$ 115,658
Less accumulated depreciation	<u>( 16,693)</u>	<u>\$ ( 5,140)</u>	<u>\$ 15,737</u>	<u>( 6,096)</u>
Total	<u>\$ 339,101</u>			<u>\$ 109,562</u>
<b>Combined Totals</b>				<u><u>\$ 1,854,172</u></u>

### 3(d) Accounts Payable

Payable detail at December 31, 2006, is as follows:

Accounts payable - vendors	\$ 12,577
Accounts payable - other government - PILOT	<u>7,916</u>
	<u><u>\$ 20,493</u></u>

### 3(e) Accrued Expenses

Accrued expenses at December 31, 2006, is as follows:

Accrued wage/payroll taxes payable	\$ 2,549
Accrued compensated absences-current portion	<u>6,010</u>
	<u><u>\$ 8,559</u></u>

### **3(f) Other Current Liabilities**

Other current liabilities at December 31, 2006,  
is as follows:

Utilities payable	\$ <u>9,699</u>
-------------------	-----------------

### **3(g) Interprogram Transactions and Balances**

There were no Capital Fund Program transfers to the Low Rent Program during the fiscal year ending December 31, 2006.

The Capital Fund Program owed the Low Rent Program \$17,013 as of December 31, 2006.

## **NOTE 4: Other Information**

### **4(a) Pension Plan**

The Housing Commission participates in the City of Romulus retirement plan. The pension plan is a pre 1986 401k plan for municipalities. The plan has standard eligibility and vesting provisions. All contributions have been paid to the plan administer in a timely manner. Further details and plan assets are reported under a separate audit report maintained by the City of Romulus. The amount contributed by the Housing Commission was \$13,928 during the calendar year.

### **4(b) Risk Management and Litigation**

The Housing Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters for which it obtains coverage from commercial companies. The Housing Commission has had no settled claims resulting from these risks that exceed their commercial coverage in the current year or the three prior fiscal years.

### **4(c) Current Vulnerability Due to Certain Concentrations**

The Housing Commission operates in a heavily regulated environment. The operations of the Housing Commission are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice to inadequate funding to pay for the related cost, including the additional administrative burden to comply with a change.

**NOTE 5: EQUITY TRANSFERS**Low Rent Program

Transfer closed 02-03 CFP equity to LRPH	<u>\$ 269,132</u>
------------------------------------------	-------------------

Public Housing Capital Fund Program

Transfer closed 2002 & 2003 CFP equity to LRPH	<u>\$ ( 269,132)</u>
------------------------------------------------	----------------------

**NOTE 6: SEGMENT INFORMATION**

The Housing Commission maintains one Enterprise Fund that includes two separate programs which provide housing assistance and grant programs. Segment information for the year ended December 31, 2006, was as follows:

	<u>Low Rent Program</u>	<u>Capital Fund Program</u>
<b>Condensed Statement of Net Assets</b>		
Current assets	\$ 342,686	\$ 17,013
Capital assets	<u>1,744,610</u>	<u>109,562</u>
Total assets	<u>\$2,087,296</u>	<u>\$ 126,575</u>
Current liabilities	\$ 65,602	\$ 17,013
Noncurrent liabilities	<u>54,092</u>	<u></u>
Total liabilities	<u>119,694</u>	<u>17,013</u>
Net assets:		
Invested in capital assets	1,744,610	109,562
Unrestricted net assets	<u>222,992</u>	<u></u>
Total net assets	<u>1,967,602</u>	<u>109,562</u>
Total liabilities and net assets	<u>\$2,087,296</u>	<u>\$ 126,575</u>
<b>Condensed Statement of Activities</b>		
Dwelling rent	\$ 141,925	\$
Nondwelling rent	4,871	
Depreciation	( 161,150)	( 5,140)
Other operating expenses	<u>( 472,800)</u>	<u></u>
Operating(loss)	( 487,154)	( 5,140)
Nonoperating revenues:		
Investment interest income	15,272	
Operating grants	280,023	
Capital grants	<u></u>	<u>44,733</u>
Change in net assets	( 191,859)	39,593
Equity transfers	269,132	( 269,132)
Beginning net assets	<u>1,890,329</u>	<u>339,101</u>
Ending net assets	<u>\$1,967,602</u>	<u>\$ 109,562</u>

	Low Rent Program	Capital Fund Program
<b>Condensed Statement of Cash Flows</b>		
Net cash provided(used) by:		
Operating activities	\$( 320,291)	\$
Noncapital financing activities	263,731	16,860
Capital and related financing activities		( 16,860)
Investing activities	15,272	
Net increase(decrease)	( 41,288)	
Beginning cash and cash equivalents	360,330	
Ending cash and cash equivalents	<u>\$ 319,042</u>	<u>\$</u>

## SUPPLEMENTARY INFORMATION

ROMULUS HOUSING COMMISSION  
COMBINING STATEMENT OF NET ASSETS  
BY PROGRAM

December 31, 2006

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>ASSETS</b>		
Current assets:		
Cash	\$ 319,042	\$ 17,013
Accounts receivable-HUD		
Accounts receivable-dwelling rents	5,766	
Allowance for doubtful accounts- dwelling rents	( 4,966)	
Prepaid expenses and other assets	5,831	
Due from other programs	<u>17,013</u>	<u>          </u>
Total current assets	<u>342,686</u>	<u>17,013</u>
Capital assets:		
Land	188,150	
Buildings	1,512,998	
Equipment	64,193	
Building improvements	<u>1,883,736</u>	<u>115,658</u>
	3,649,077	115,658
Less accumulated depreciation	<u>( 1,904,467)</u>	<u>( 6,096)</u>
Net capital assets	<u>1,744,610</u>	<u>109,562</u>
Total Assets	<u>\$ 2,087,296</u>	<u>\$ 126,575</u>

Totals

\$ 319,042  
17,013  
5,766

( 4,966)  
5,831  
17,013

359,699

188,150  
1,512,998  
64,193  
1,999,394  
3,764,735  
( 1,910,563)

1,854,172

\$ 2,213,871



ROMULUS HOUSING COMMISSION  
COMBINING STATEMENT OF NET ASSETS  
BY PROGRAM (CONTINUED)

December 31, 2006

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES and NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 20,493	\$
Tenant security deposit liability	17,572	
Accrued expenses	8,559	
Deferred revenues	9,279	
Other current liabilities	9,699	
Due to other programs	<u>          </u>	<u>17,013</u>
Total current liabilities	65,602	17,013
Noncurrent liabilities:		
Accrued compensated absences	<u>54,092</u>	<u>          </u>
Total liabilities	<u>119,694</u>	<u>17,013</u>
Net assets:		
Invested in capital assets	1,744,610	109,562
Unrestricted net assets	<u>222,992</u>	<u>          </u>
Total net assets	<u>1,967,602</u>	<u>109,562</u>
Total Liabilities and Net Assets	<u>\$2,087,296</u>	<u>\$ 126,575</u>

Totals

\$ 20,493  
17,572  
8,559  
9,279  
9,699  
17,013

82,615

54,092

136,707

1,854,172

222,992

2,077,164

\$ 2,213,871

ROMULUS HOUSING COMMISSION  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN NET ASSETS BY PROGRAM**  
 Year Ended December 31, 2006  
 =====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>OPERATING REVENUES:</b>		
Dwelling rent	\$ 141,925	\$
Nondwelling rent	<u>4,871</u>	<u>          </u>
Total operating revenues	<u>146,796</u>	<u>          </u>
<b>OPERATING EXPENSES:</b>		
Administration	169,938	
Tenant services	36,977	
Utilities	56,943	
Ordinary maintenance and operation	173,876	
General expenses	35,066	
Depreciation	<u>161,150</u>	<u>5,140</u>
Total operating expenses	<u>633,950</u>	<u>5,140</u>
Operating income(loss)	<u>( 487,154)</u>	<u>( 5,140)</u>
<b>NONOPERATING REVENUES (EXPENSES) :</b>		
Investment interest income	15,272	
Operating grants	280,023	
Capital grants	<u>          </u>	<u>44,733</u>
Total nonoperating revenues (expenses)	<u>295,295</u>	<u>44,733</u>
Change in net assets	( 191,859)	39,593
Equity transfers	269,132	(269,132)
Net assets, beginning	<u>1,890,329</u>	<u>339,101</u>
Net assets, ending	<u>\$1,967,602</u>	<u>\$109,562</u>

Totals

\$ 141,925  
4,871

146,796

169,938  
36,977  
56,943  
173,876  
35,066  
166,290

639,090

( 492,294)

15,272  
280,023  
44,733

340,028

( 152,266)

2,229,430

\$ 2,077,164

ROMULUS HOUSING COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
BY PROGRAM

Year Ended December 31, 2006

=====

	Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from dwelling and nondwelling rents	\$ 143,510	\$
Cash payments to other suppliers of goods and services	( 290,309)	
Cash payments to employees for services	( 164,038)	
Cash payments for in lieu of taxes	<u>( 9,454)</u>	
Net cash (used) by operating activities	<u>( 320,291)</u>	
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Tenant security deposits	568	
Operating grants	280,023	
Interprogram receivables/payables	<u>( 16,860)</u>	<u>16,860</u>
Net cash provided by noncapital financing activities	<u>263,731</u>	<u>16,860</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Capital grants		27,873
Payments for capital acquisitions		<u>( 44,733)</u>
Net cash (used) by capital and related financing activities		<u>( 16,860)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Receipts of interest and dividends	<u>15,272</u>	
Net cash provided by investing activities	<u>15,272</u>	
Net increase(decrease) in cash	( 41,288)	
Cash, beginning	<u>360,330</u>	
Cash, ending	<u><u>\$ 319,042</u></u>	<u><u>\$</u></u>

Totals

\$ 143,510

( 290,309)

( 164,038)

( 9,454)

( 320,291)

568

280,023

280,591

27,873

( 44,733)

( 16,860)

15,272

15,272

( 41,288)

360,330

\$ 319,042

ROMULUS HOUSING COMMISSION  
COMBINING STATEMENT OF CASH FLOWS  
BY PROGRAM (CONTINUED)

Year Ended December 31, 2006

=====

	Low Rent Program	Capital Fund Program
	<u>14.850a</u>	<u>14.872</u>

RECONCILIATION OF OPERATING INCOME  
(LOSS) TO NET CASH PROVIDED(USED)

BY OPERATING ACTIVITIES:

Operating income(loss)	\$( 487,154)	\$( 5,140)
Adjustments to reconcile operating (loss) to net cash(used in) operating activities:		
Depreciation	161,150	5,140
Bad debt allowance change	( 1,504)	
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable-tenants	1,623	
Prepaid expenses and other assets	( 607)	
Increase (decrease) in liabilities:		
Accounts payable	8,076	
Other current liabilities	( 882)	
Accrued wages/payroll taxes	101	
Accrued compensated absences	5,353	
Accrued payments in lieu of taxes	( 1,538)	
Deferred revenues	<u>( 4,909)</u>	

Net cash (used) by operating activities	<u><u>\$( 320,291)</u></u>	<u><u>\$</u></u>
-----------------------------------------	----------------------------	------------------

Totals

\$ ( 492,294)

166,290  
( 1,504)

1,623  
( 607)

8,076  
( 882)  
101  
5,353

( 1,538)  
( 4,909)

\$ ( 320,291)



ROMULUS HOUSING COMMISSION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
AND NOTES TO THE SCHEDULE OF FEDERAL AWARDS  
Year Ended December 31, 2006  
=====

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal</u> <u>Year</u>	<u>Federal Grantor</u>	<u>CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2006	Low Rent Public Housing	14.850a	\$ 280,023
	<u>Public and Indian Housing</u> <u>Nonmajor - Direct Program</u>		
2006	Capital Fund Program	14.872	<u>44,733</u>
	Total		<u>\$ 324,756</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

**NOTE 1: Significant Accounting Policies**

The schedule of federal awards has been prepared on the accrual basis of accounting.

CFDA = Catalog of Federal Domestic Assistance

ROMULUS HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE**  
Year Ended December 31, 2006

=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>ASSETS</b>		
	Current Assets:		
	Cash:		
111	Cash-unrestricted	\$ 301,470	\$
114	Cash-tenant security deposits	<u>17,572</u>	<u>          </u>
100	Total cash	<u>319,042</u>	<u>          </u>
	Receivables:		
122	A/R-HUD other projects		17,013
126	A/R-tenants-dwelling rents	5,766	
126.1	Allowance for doubtful accounts-dwelling rent	<u>( 4,966)</u>	<u>          </u>
120	Total receivables, net of allowance for doubtful accounts	<u>800</u>	<u>17,013</u>
	Other Current Assets:		
142	Prepaid expenses and other assets	5,831	
144	Interprogram due from	<u>17,013</u>	<u>          </u>
	Total other current assets	<u>22,844</u>	<u>          </u>
150	Total current assets	<u>342,686</u>	<u>17,013</u>
	Noncurrent Assets:		
	Fixed assets:		
161	Land	188,150	
162	Buildings	1,512,998	
164	Furn, equip & mach-admin.	64,193	
165	Building improvements	1,883,736	115,658
166	Accumulated depreciation	<u>(1,904,467)</u>	<u>( 6,096)</u>
160	Total fixed assets, net of accumulated depreciation	<u>1,744,610</u>	<u>109,562</u>
180	Total noncurrent assets	<u>1,744,610</u>	<u>109,562</u>
190	Total Assets	<u>\$ 2,087,296</u>	<u>\$ 126,575</u>

Totals

\$ 301,470  
17,572

319,042

17,013  
5,766  
( 4,966)

17,813

5,831  
17,013

22,844

359,699

188,150  
1,512,998  
64,193  
1,999,394  
( 1,910,563)

1,854,172

1,854,172

\$ 2,213,871

ROMULUS HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended December 31, 2006  
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
<b>LIABILITIES AND EQUITY/NET ASSETS</b>			
	Liabilities:		
	Current Liabilities:		
312	Accounts payable<=90 days	\$ 12,577	\$
321	Accrued wage/payroll taxes payable	2,549	
322	Accrued compensated absences-current portion	6,010	
333	Accounts payable-other government	7,916	
341	Tenant security deposits	17,572	
342	Deferred revenues	9,279	
345	Other current liabilities	9,699	
347	Interprogram due to	<u>          </u>	<u>17,013</u>
310	Total current liabilities	<u>65,602</u>	<u>17,013</u>
	Noncurrent Liabilities:		
354	Accrued compensated absences	<u>54,092</u>	
	Total noncurrent liabilities	<u>54,092</u>	
300	Total liabilities	<u>119,694</u>	<u>17,013</u>
	Equity:		
508.1	Invested in capital assets	<u>1,744,610</u>	<u>109,562</u>
508	Total equity	1,744,610	109,562
	Net Assets:		
512.1	Unrestricted net assets	<u>222,992</u>	
513	Total equity/net assets	<u>1,967,602</u>	<u>109,562</u>
600	Total Liabilities and Equity/Net Assets	<u>\$2,087,296</u>	<u>\$ 126,575</u>

	<u>Totals</u>
\$	12,577
	2,549
	6,010
	7,916
	17,572
	9,279
	9,699
	<u>17,013</u>
	<u>82,615</u>
	<u>54,092</u>
	<u>54,092</u>
	<u>136,707</u>
	<u>1,854,172</u>
	1,854,172
	<u>222,992</u>
	<u>2,077,164</u>
\$	<u><u>2,213,871</u></u>

ROMULUS HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended December 31, 2006

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Revenue:</b>		
703	Net tenant rental revenue	\$ 141,925	\$
704	Tenant revenue-other	<u>4,871</u>	<u>          </u>
705	Total tenant revenue	146,796	
706	HUD PHA grants	280,023	
706.1	Capital grants		44,733
711	Investment income-unrestricted	<u>15,272</u>	<u>          </u>
700	Total revenue	<u>442,091</u>	<u>44,733</u>
	<b>Expenses:</b>		
	Administrative:		
911	Administrative salaries	96,579	
912	Auditing fees	4,350	
914	Compensated absences	5,353	
915	Employee benefit contributions-adm.	36,416	
916	Other operating-administrative	27,240	
	Tenant Services:		
921	Tenant services-salaries	26,505	
923	Employee benefit contributions-adm.	9,992	
924	Tenant services-other	480	
	Utilities:		
931	Water	37,503	
932	Electricity	11,589	
933	Gas	7,851	
	Ordinary maintenance and operation:		
942	Ordinary maint & oper-mat'ls & other	13,668	
943	Ordinary maint & oper-contract costs	160,208	
	General expenses:		
961	Insurance premiums	23,076	
963	Payments in lieu of taxes	7,916	
964	Bad debt-tenant rents	<u>4,074</u>	<u>          </u>
969	Total operating expenses	<u>472,800</u>	<u>          </u>
970	Excess operating revenue over operating expenses	<u>( 30,709)</u>	<u>44,733</u>

<u>Totals</u>	
\$	141,925
	<u>4,871</u>
	146,796
	280,023
	44,733
	<u>15,272</u>
	<u>486,824</u>

96,579
4,350
5,353
36,416
27,240

26,505
9,992
480

37,503
11,589
7,851

13,668
160,208

23,076
7,916
<u>4,074</u>

<u>472,800</u>
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<u>14,024</u>
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ROMULUS HOUSING COMMISSION  
**FINANCIAL DATA SCHEDULE (CONTINUED)**  
Year Ended December 31, 2006  
=====

FDS Line Item No.		Low Rent Program <u>14.850a</u>	Capital Fund Program <u>14.872</u>
	<b>Expenses continued:</b>		
	Other expenses:		
974	Depreciation expense	<u>161,150</u>	<u>5,140</u>
	Total other expenses	<u>161,150</u>	<u>5,140</u>
900	Total expenses	<u>633,950</u>	<u>5,140</u>
1000	Excess (deficiency) of operating revenue over(under) expenses	( 191,859)	39,593
1103	Beginning Net Assets	1,890,329	339,101
1104	Prior period adjustments, equity transfers, and correction of errors	<u>269,132</u>	<u>( 269,132)</u>
	Ending Net Assets	<u>\$ 1,967,602</u>	<u>\$ 109,562</u>



Totals

166,290

166,290

639,090

( 152,266)

2,229,430

\$ 2,077,164

**Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**

Board of Housing Commissioners  
Romulus Housing Commission  
Romulus, Michigan

I have audited the financial statements of the business-type activities of the Romulus Housing Commission, Michigan, (Housing Commission) as of and for the year ended December 31, 2006, which collectively comprise the Housing Commission's basic financial statements and have issued my report thereon dated August 22, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Report on Internal Control over Financial  
Reporting and on Compliance and Other  
Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*  
Romulus Housing Commission  
Page Two

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, I noted certain matters that I reported to management of the Housing Commission, in a separate letter dated August 22, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Housing Commissioners, the Michigan Department of Treasury, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Samy E. Tarkenton, CPA, PC*

August 22, 2007

ROMULUS HOUSING COMMISSION

INDEPENDENT AUDITORS' REPORTS  
ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE/BOARD OF COMMISSIONERS  
AND  
MANAGEMENT ADVISORY COMMENTS

DECEMBER 31, 2006

**ROMULUS HOUSING COMMISSION**  
**CONTENTS**  
**DECEMBER 31, 2006**

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Management Advisory Comments	4-5
Adjusting Journal Entries	6

**INDEPENDENT AUDITORS' REPORT ON  
COMMUNICATIONS WITH THE AUDIT COMMITTEE/  
BOARD OF COMMISSIONERS**

To the Board of Commissioners  
Romulus Housing Commission

I have audited the financial statements of the Romulus Housing Commission ("Housing Commission") as of and for the year ended December 31, 2006, and have issued my report, thereon, dated August 22, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

**Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America** - In planning and performing my audit of the financial statements, I considered your internal control in order to determine my auditing procedures for purposes of expressing my opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

**Significant Accounting Policies** - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were no audit adjusting journal entries, and no controversial accounting issues.

**Management Judgments and Accounting Estimates** - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

**Other Information in Documents Containing Audited Financial Statements** - All the information included in the financial statements document has been audited and my responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE  
AUDIT COMMITTEE - CONTINUED**

**Audit Adjustments** - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Housing Commission's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in my judgment, indicate matters that could have a significant effect on the Housing Commission's financial reporting process (see adjusting entries on page 6).

**Disagreements With Management** - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. I am pleased to report that no such disagreements arose during the audit.

**Consultations With Other Accountants** - To my knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

**Major Issues Discussed With Management Prior to Retention** - There was no discussions regarding the application of accounting principles or auditing standards with management prior to my retention as your auditor.

**Difficulties Encountered in Performing the Audit** - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, I would welcome the opportunity to discuss them with you.

*Sony E. Tardiff, CPA, PC*

August 22, 2007

**INDEPENDENT AUDITORS' REPORT ON  
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners  
Romulus Housing Commission

I have audited the financial statements of the Romulus Housing Commission ("Housing Commission") as of and for the year ended December 31, 2006, and have issued my report, thereon, dated August 22, 2007. I have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Housing Commission's operations and internal control, which came to my attention during the audit, are reported on the following pages as management advisory comments.

I would like to take this opportunity to acknowledge the many courtesies extended to me by the Housing Commission's personnel during the course of my work.

I shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, I would welcome the opportunity of assisting you in these matters.



August 22, 2007



ROMULUS HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
December 31, 2006  
=====

**Tenant File Testing**

We selected six tenant files at random to test. We found the following errors in the documentation in the tenant files:

	<u># of Errors</u>
1. Form HUD-50058 not in the tenant file	0
2. Privacy Act Notice for fiscal year not in the tenant file or incorrect	0
3. Incorrect Verification of Income	0
4. Incorrect Verification of Expenses	2
5. Incorrect Verification of Assets	3
6. Inspection Report for fiscal year is missing or incorrect	0
7. Lease missing or incorrect	0
8. Application missing or incorrect	2
9. Copy of Photo ID missing	0
10. Copy of Proof of Social Security Number Verification missing	0
11. Copy of Birth Certificate missing	0
12. Flat Rent/Income Based Rent Choice missing or incorrect	1
13. Worksheet for HUD-50058 missing	0
14. Notice of Rent Adjustment missing or incorrect	1
15. Criminal Background Check not done, not documented, or it was in the file	2
16. Declaration of 214 Status missing or incorrect	2
17. Check for Previous Eviction from Public Housing not done or incorrect	3
18. Annual Family Composition Review missing or incorrect	4
19. Lead Based Paint Disclosure documentation missing	<u>0</u>
Total	<u>21</u>

Out of a possible 114, there were 21 exceptions from this test.  
This represents an exception rate of 18.42%

ROMULUS HOUSING COMMISSION  
MANAGEMENT ADVISORY COMMENTS  
(CONTINUED)

December 31, 2006

=====

**Tenant File Testing (continued)**

The following is a short summary of exceptions:

<u>File</u>	<u>Client Number</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>
1	008		x	x					x	
2	024	x							x	
3	043	x								
4	059			x						
5	093		x						x	
6	076		x	x					x	
Number of Hits		<u>2</u>	<u>3</u>	<u>3</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4</u>	<u>0</u>
Percentage of Hits		<u>33%</u>	<u>50%</u>	<u>50%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>67%</u>	<u>0%</u>

**LEGEND**

1. No proper evidence that a criminal background check was conducted or it was in the tenant files. It may not be kept in the tenant files unless an appeal or hearing is pending.
2. Check for eviction from federal housing not conducted.
3. Proper Income/Expense/Asset verification not conducted or it was incorrect.
4. Form HUD-50058 could not be located in the tenant files.
5. HUD-Form 9886, Release of Information/Privacy Act Notice not in the file or it was not properly completed for the fiscal year reviewed.
6. Social Security Number not verified with required documentation.
7. The Housing Commission could not locate the tenant file.
8. The Housing Commission could not locate missing documents.
9. The tenant was not eligible to participate in the program.

We recommend that the Romulus Housing Commission correct the tenant files where possible. It is recommended that the family composition of each household be reviewed annually and documented in each tenant file. Although it is believed that tenants are being selected correctly from the waiting list, it is recommended that this process be documented more clearly in the future.

ROMULUS HOUSING COMMISSION  
ADJUSTING JOURNAL ENTRIES  
December 31, 2006

=====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
LOW RENT PROGRAM			

It was not necessary to make any adjusting journal entries